

Message Text

UNCLASSIFIED

PAGE 01 BERN 01940 210949Z

20

ACTION TRSE-00

INFO OCT-01 EUR-25 ISO-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 EA-11 FRB-02 INR-10 IO-14 NEA-14 NSAE-00 RSC-01

OPIC-12 SP-03 CIEP-02 LAB-06 SIL-01 SWF-02 OMB-01 L-03

DRC-01 STR-08 /150 W

----- 102763

R 210932Z MAY 74

FM AMEMBASSY BERN

TO SECSTATE WASHDC 9048

INFO USMISSION OECD PARIS

UNCLAS BERN 1940

E.O. 11652: N/A

TAGS: EFIN, SZ

SUBJECT: SWISS REGULATION OF FOREIGN BROKERS AND UNDERWRITERS

REF: STATE 79749

1. THERE IS NO FEDERAL LAW IN SWITZERLAND REGULATING STOCK EXCHANGES. INSTEAD, INDIVIDUAL CANTONS (PARTICULARLY ZURICH, GENEVA, BASEL) HAVE ENACTED LAWS AFFECTING THEIR RESPECTIVE EXCHANGES AND EXCHANGES THEMSELVES ALSO PRESCRIBE RULES. BULK OF TRADING ON SWISS EXCHANGES IS HANDLED BY LARGE COMMERCIAL BANKS AND PRIVATE BANKS BUT BROKERS ALSO EXIST. EXCHANGE MEMBERSHIP IS NOT RESTRICTED TO DOMESTIC FIRMS AND SOME FOREIGN BANKS ARE MEMBERS.

2. FOLLOWING BASED ON ADMITTEDLY VERY INCOMPLETE SAMPLE OF US BROKERS AND UNDERWRITERS ACTIVE IN SWITZERLAND WHICH EMBASSY HAS THUS FAR HAD OPPORTUNITY CANVASS SINCE REFTEL RECEIVED:

A. US BROKERS IN SWITZERLAND ARE INVOLVED IN 1) PROVIDING SERVICES ON US AND CANADIAN EXCHANGES FOR INSTITUTIONAL SWISS INVESTORS, I.E., MAINLY BANKS; 2) RETAIL

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BERN 01940 210949Z

SECURITY SALES TO NON-SWISS CLIENTS MOST BUT NOT ALL OF

WHOM RESIDE IN SWITZERLAND; AND/OR 3) ARE ACTIVE IN EUROBOND AND RELATED MARKETS.

B. SALES OF US SECURITIES TO INDIVIDUAL SWISS ARE GENERALLY RULED OUT AS BEING THE RESPONSIBILITY OF SWISS BANKS. SOME BROKERAGE FIRMS INDICATE THAT THERE EXISTS SUCH AN UNDERSTANDING WITH SWISS BANKERS ASSOCIATION WHILE OTHERS, DENYING EXISTENCE ANY FORMAL OR INFORMAL UNDERTAKING, FEEL THAT EFFORT COMPETE WITH SWISS BANKS FOR INDIVIDUAL ORDERS WOULD RISK MUCH MORE LUCRATIVE BUSINESS SERVICING SWISS BANK TRANSACTIONS ON US EXCHANGES. THUS, FIRMS DO NOT ACTIVELY SOLICIT BUSINESS LOCALLY EXCEPT TO LIMITED EXTENT AMONG EXPATRIATE COMMUNITY.

C. DESPITE REMOVAL SWISS RESTRICTIONS ON FOREIGN PURCHASE OF SECURITIES AND REMOVAL IET, US BROKERS SEE NO GREAT INTEREST YET ON PART US INVESTORS IN SWISS SECURITIES AND SEE NO PARTICULAR ROLE FOR THEMSELVES SHOULD SUCH INTEREST DEVELOP IN FUTURE. RATHER, US BROKERS ANTICIPATE CHANNELING ANY SUCH BUSINESS THROUGH THEIR SWISS BANK COLLEAGUES ALTHOUGH WE UNDERSTAND SOME ARE LOOKING INTO POSSIBILITY OF PURCHASING INTERESTS IN SWISS BANKS TO TAKE ADVANTAGE OF POTENTIAL OPPORTUNITY.

D. VERY FEW US NATIONALS HEAD US BROKER/UNDERWRITERS FIRMS IN SWITZERLAND AND WE KNOW OF NO WORK PERMIT PROBLEMS. INTRODUCTION ON JULY 1 OF STAMP TAX ON BOND/SECURITIES PROCESSED IN SWITZERLAND FOR CUSTOMERS IN THIRD COUNTRIES (ESPECIALLY GERMANY) WILL REDUCE REGIONAL ROLE OF US SECURITY FIRMS IN SWITZERLAND, A MATTER OF SOME CONCERN TO THEM BUT HARDLY DISCRIMINATING SINCE SAME PROBLEM CONFRONTS SWISS TRADERS AND TRANSACTIONS INVOLVING SWISS PURCHASERS ARE TAXABLE.

3. EMBASSY WILL EXPLORE REFTEL QUESTIONS FURTHER WITH OTHERS AND REPORT AS APPROPRIATE.
DAVIS

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BANK LAW
Control Number: n/a
Copy: SINGLE
Draft Date: 21 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BERN01940
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740125-1208
From: BERN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740532/aaaabbpj.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: STATE 79749
Review Action: RELEASED, APPROVED
Review Authority: martinjw
Review Comment: n/a
Review Content Flags:
Review Date: 29 OCT 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 OCT 2002 by boyleja>; APPROVED <07 JAN 2003 by martinjw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SWISS REGULATION OF FOREIGN BROKERS AND UNDERWRITERS
TAGS: EFIN, SZ
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005